Weekly Economic Review

Labour market remains vulnerable

Labour Market

Job growth holds steady

Employment in Alberta edged up by 1,500 in March, sitting roughly in line with December 2014 levels. Despite the overall gain, there was some weakness in the jobs report. The province shed 18,400 full-time positions (Chart 1). Self-employment tumbled, outweighing the gain in public sector employment. Private sector employment edged up by 2,900 after February's heavy loss of 23,400. At the industry level, gains were concentrated in the service sector, led by trade (+8,400). The unemployment rate moved up to 5.5%, up a full percentage point from January.

Nationally, employment grew by 28,700 in March and the unemployment rate remained at 6.8%.

Housing Starts

Edmonton continues to surge

Housing starts in March jumped to 50,500 (annualized), the second-highest monthly total since 2008, up 27% year-over-year (y/y). Edmonton was the centre for growth (Chart 2), capping off a record first quarter, as housing starts more-than-doubled year-over-year. Calgary housing starts bounced back strongly from February lows, but remain down 2.0% y/y. In urban areas across the province, housing starts were driven by multi-unit dwellings, which were up an impressive 52.4% y/y. Single-unit starts were down 2.9% from February and were roughly unchanged from a year ago. After falling 10% in the fourth quarter of 2014, housing starts across the province bounced back 17.7% in the first quarter of 2015.

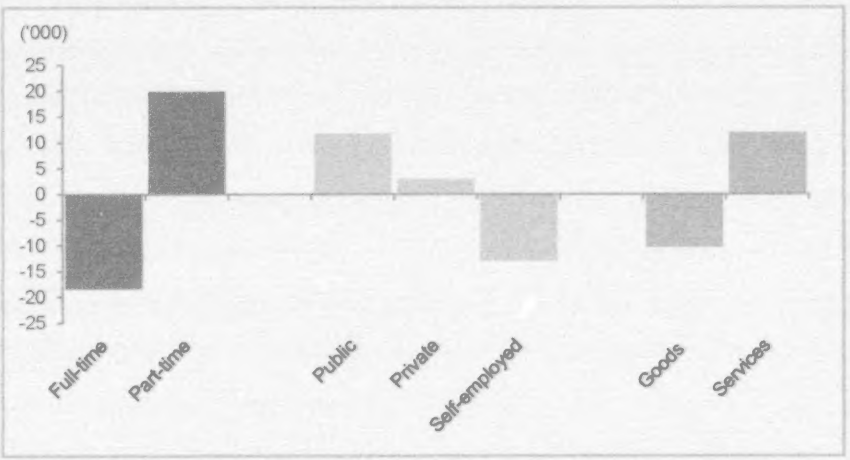
Building Permits

Non-residential permits fall again

There were $2.0 billion in building permits issued in Alberta for February 2015, down 9.7% from last year. The decline was due to a 33% fall in non-residential permits to the lowest level in almost four years. Though residential permits were relatively stable at 1.8%, there was tremendous regional variation, with permits in

Chart 1: March jobs report shows mixed results

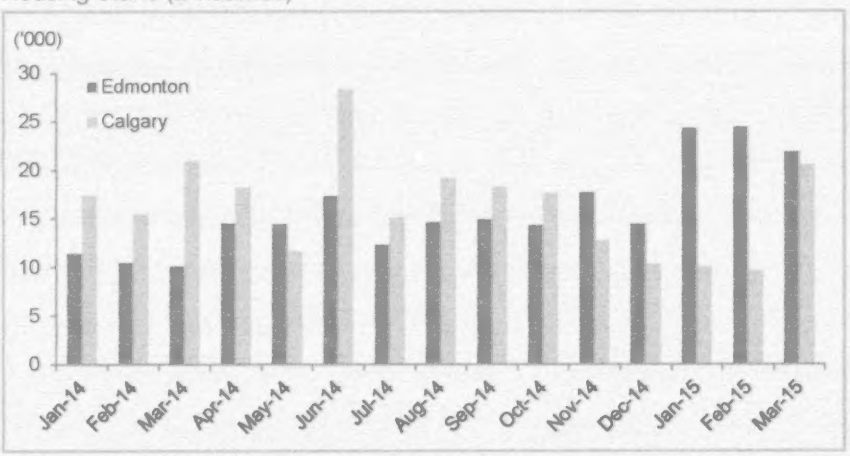
March change in employment by category for Alberta



Source: Statistics Canada

Chart 2: Starts in Edmonton have surged

Housing Starts (annualized)



Source: Canada Mortgage and Housing Corporation

Edmonton spiking 37.6% y/y and those in Calgary dropping by 23.9% y/y (Chart 3). Permit values in Edmonton have been surging over the last three months, rising by almost 60% since November.

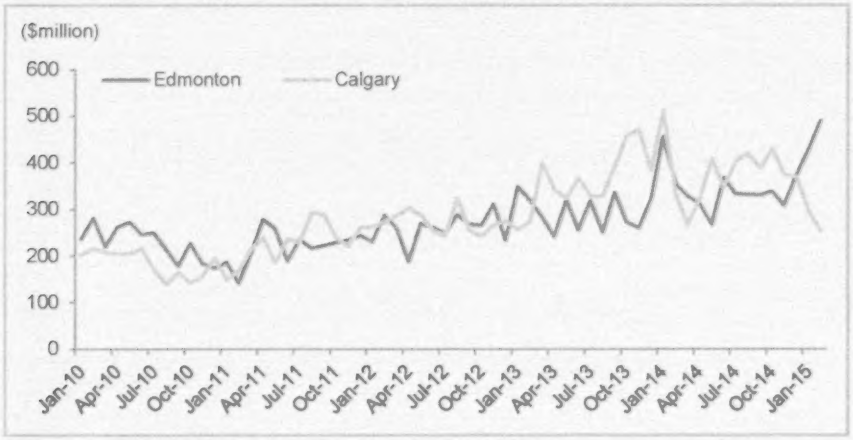
Oil and Gas Production

Volumes continue to grow

Alberta produced 3.1 million barrels of oil per day in January, an increase of 9.9% y/y. Oil sands activity has been ramping up, causing Alberta crude production to increase over 70% since 2009 (Chart 4). This trend continued in January, with bitumen production up 19.6% y/y and synthetic crude (upgraded bitumen) up 7.6% y/y. Conventional crude production was unchanged from January 2014. Production of natural gas was down 6.5% from last year, when an exceptionally cold winter caused demand for gas to surge.

Chart 3: Edmonton residential permit values spike while Calgary's drop

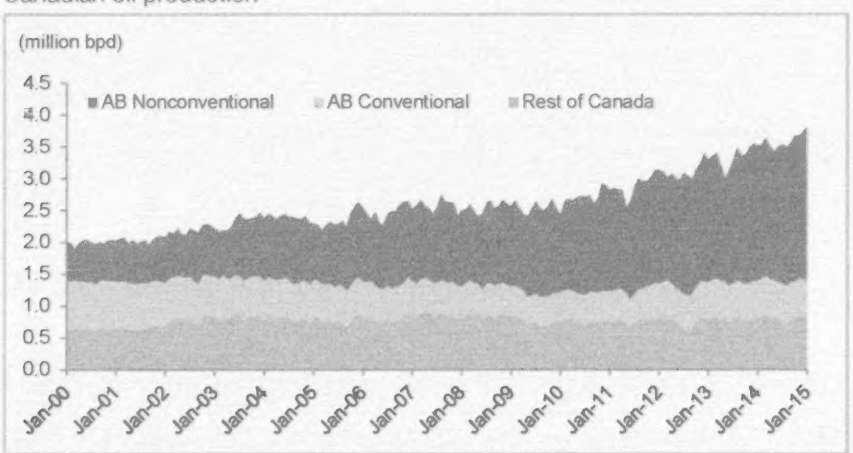
Year-over-year change in residential building permit values



Source: Statistics Canada

Chart 4: Oil sands activity continues to ramp up

Canadian oil production



Source: Statistics Canada

US Employment Situation

Job growth disappoints

The US added 126,000 jobs in March ending the 12-month streak of above 200,000 jobs-added, the longest streak since 1995. Employment was pulled down by the goods sector, which lost 13,000 jobs. These came mostly from support activities for mining, oil and gas, as rig activity has fallen off dramatically. Service sector growth continues to show strength, led by professional and business services, health care and retail trade. The unemployment rate remained unchanged at 5.5%, but has fallen 1.1 percentage points over the last year.

Business Outlook Survey

Business expectations weaken

The Bank of Canada's Spring Business Outlook Survey of Canadian businesses shows that lower oil prices have caused firms to become less optimistic about the future. Fewer firms are expecting sales to increase over the next 12 months, with 40% expecting growth, down from 55% in the Fall survey. The balance of firms expecting to increase machinery and equipment investment fell to the lowest level since 2009, as has the balance of opinion on hiring intentions. The souring of business expectations was greatest in the Prairies and in the energy sector. Non-energy firms and those in Central Canada reported benefiting from a weaker Canadian dollar, a stronger US economy and lower oil prices.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.